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SUBJECT: ALBANIA'S REMITTANCES

SUMMARY

1. (SBU) Albania's economy and its domestic population of about 3.2 million rely on remittances from roughly one million Albanians working abroad. Although remittances have fallen from an estimated 947 million euro in 2007 to 800 million euro in 2008, there are signs the decline is abating and remittances might actually be rising again. (NOTE: Banking officials estimate that only 50 percent of remittances come through official channels - the rest are carried across borders by individuals and are in most cases undeclared. End note.) Although some remittances finance construction and other business activity, most are used to help poor families meet immediate needs. Since Albanian workers are valued for their work ethic and generally occupy low-paid but necessary jobs, they have not suffered as much as was expected from the global economic crisis, nor have significant numbers returned to Albania. End Summary.

Remittances - Albania's Lifeline

2. (SBU) Remittances represent the largest influx of foreign capital into the Albanian economy, far more than foreign direct investments and exports. However, banking officials estimate that only about 50 percent of remittances come through official channels such as bank transfers and currency forwarders like Western Union.

3. (SBU) Remittances play a major role in alleviating poverty in Albania and are mainly used for immediate and pressing needs of emigrants' families, with little going into bank accounts or investments. Although remittances have been stable over the last few years, 2008 saw a decline of 15 percent (mostly in the second half) to an estimated 800 million euro (9.2 percent of GDP) compared to 947 million euro (12 percent of GDP) in 2007. During the first quarter of 2009, estimated remittances were eight percent below first quarter of 2008. However, Edmund Leka, owner of Union Bank and the Western Union franchise for Albania, Macedonia, and Kosovo, told econoff that he has begun seeing an uptick in remittances and believes the worst is over.

4. (U) There are no accurate official data about the number of Albanians living abroad because much work-related emigration has been illegal. According to recent studies done in both Albania and in host countries, 600,000 Albanians live in Greece, 250,000 in Italy, 150,000 in the US, 50,000 in the UK and another 30,000 spread throughout the EU. The studies estimate that half of all immigrants do not have legal work status and work in seasonal agricultural,

construction and tourism jobs.

15. (U) Remittances have offset Albania's trade deficit in recent years, keeping the lek relatively stable. However, the global economic crisis reduced demand for Albanian exports such as textiles and shoes. The decline of exports and remittances together has caused a seven percent decline of the lek against the euro since the beginning of 2009. Surprisingly, imports have actually increased slightly, further compounding the problem.

16. (U) While there was concern last fall that returning migrant workers would put a strain on the Albanian economy, few migrant workers have actually been forced to return and there is no evidence of any social tension as a result of these returnees. The Ministry of Labor and Social Affairs is organizing an inter-ministerial working group to help returnees and is exploring incentives for the integration of Albanians returning home.

COMMENT

17. (U) Given the importance of remittances to the Albanian economy, we are hopeful that the strong work ethic of Albanians abroad will not only soften the effect of the global economic crisis on Albania, but also bring prosperity to Albania sooner. The GOA needs to find incentives to harness that work ethic to create businesses, jobs, and exportable products at home. During a visit to Himara, a coastal town in southern Albania, econoff noticed vast orange groves, but the oranges were rotting on the ground. The reason, he was told, was that the owners of the groves were in Greece picking oranges.

WITHERS